



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

July 31, 2013

Congressional Committees

Subject: *Army Logistics: Container Handling Equipment Requirements, Contracts, and Inventory*

Container handling equipment provides Army commanders with the flexibility they need to respond to rapidly shifting operations by supplying the capability to transport critical cargo. To support a versatile and expandable distribution system, the Army has five types of container handling equipment to carry both containerized and non-containerized (or “break bulk”) cargo: flatracks, container roll-in/out platforms (CROPs), container handling units (CHUs), enhanced container handling units (E-CHUs), and container transfer enhancements (CTEs). Flatracks, which can carry both containerized and “break bulk” cargo, and CROPs, which can carry only “break bulk” cargo, are structural steel frames. CHUs and E-CHUs attach to the lifting arm of a truck and allow for upload and offload of containers. The CTE is a modification to a trailer which allows the container to roll onto the trailer while being pushed by the CHU/E-CHU.

House Report 112-493 mandated GAO to provide a report to the congressional defense committees on the acquisition plan, requirement, and inventory for container handling equipment in the Army, including CROPs, flatracks, E-CHUs, CTEs, and similar equipment in use by the Army.¹ Our objectives for this report were to describe (1) how the requirements for container handling equipment have changed since 1998 and when the corresponding contracts were awarded or delivery orders issued and (2) the current and projected inventories of container handling equipment. Enclosure 1 provides a copy of the slides detailing the results of our review that we used in briefing your offices on July 11, 2013.

To address our objectives, we reviewed relevant documents related to the Army’s container handling equipment. These include the 1998 Operational Requirements Document for the Palletized Load System; Operational Needs Statements² and Equipment Sourcing Documents³ for flatracks; the 2010 Combined Arms Support Command (CASCOM) flattrack/CROP briefing; the 2012 Distribution Enablers Study; the draft Capability Production Document; and contracts and related documents for container handling equipment. Additionally, we interviewed Army officials responsible for the requirements, acquisitions, program management, and inventory of

¹The explanatory statement accompanying the Consolidated and Further Continuing Appropriations Act, 2013, Pub. L. No. 113-6 (2013), retained a reporting requirement established in House Report 112-493. See 159 Cong. Rec. S1404 (daily ed. Mar. 11, 2013); H.R. Rep. No. 112-493, at 138 (2012).

²Operational Needs Statements provide a way for unit commanders to identify urgent needs for new materiel or new capabilities.

³Equipment Sourcing Documents are requests for filling an equipment shortage that has already been validated or authorized by the Department of the Army.

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container handling equipment, including CASCOM, the office of the Assistant Secretary of the Army (Acquisition, Logistics & Technology), the Department of the Army, TACOM,⁴ and the Program Executive Office. We obtained data on container handling equipment inventory as of June 2013. We reviewed these data for obvious inconsistency errors and completeness. When we found discrepancies, we brought them to the attention of Army officials to ensure correction of the discrepancies. From these efforts, we determined that the data were sufficiently reliable for the purposes of this report.

We conducted this performance audit from May 2013 through July 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, requirements for container handling equipment have changed since 1998 from focusing on "break bulk" to focusing on containerized distribution. This change occurred because of unanticipated warfighter needs during operations in Iraq and Afghanistan and the development of new container handling equipment technologies. Contracts were awarded and delivery orders issued from 2001 through 2012 to correspond to the changing requirements for container handling equipment.

- Produced prior to the wars in Iraq and Afghanistan, the 1998 Operational Requirements Document indicated that cargo would be transported to secure locations in containers and then to troops in "break bulk," without using containers. Capabilities that would later be filled by CHUs/E-CHUs and CTEs were identified for the requirement to transport cargo in containers. CROPs were identified as a capability for the requirement to transport "break bulk" cargo without containers. Flatracks, the existing capability since 1994 to move both containerized and "break bulk" cargo, were no longer identified as a capability in the 1998 document because, according to the document, they added unnecessary weight to the load being transported and required additional equipment to place the container on and off the flatrack. As a result, in a 2001 strategy, the Army decided to eliminate the use of flatracks and transition funding to CROP procurement. In implementing this strategy, the Army awarded a contract in December 2002 for up to 3,997 CROPs and awarded another contract in June 2006, from which it ordered 32,917 CROPs.
- According to Army documentation, from 2008 through 2010, warfighters in Iraq and Afghanistan identified an unanticipated and urgent need for flatracks to move cargo in containers to forward operating units, in order to better conceal and protect items being moved along hazardous routes. After the Army's 2001 strategy eliminated the need for flatracks, Army officials stated that the ability to move containers to forward operating units was limited because CROPs cannot carry containers. Further, as of 2010, Army officials said that there was an insufficient inventory of CHUs/E-CHUs to meet the urgent need for container distribution, because the Army had not anticipated the need to move containers to forward operating units. Additionally, Army officials said warfighters had not yet been properly trained to use the CHUs/E-CHUs. Moreover, as of 2010, the CTE had

⁴TACOM was formerly known as Tank-automotive and Armaments Command.

not yet been fielded because it was in testing. As a result of the urgent need to move cargo in containers, the Army awarded a contract in August 2010 for 3,227 flatracks. As of June 2013, Army officials stated that 328 of these flatracks had been shipped to troops and 2,899 were awaiting release by the Army.

- In February 2012, the Army issued the Distribution Enablers Study, which revisited the capabilities needed for “break bulk” and containerized cargo distribution. This study included the E-CHU in its analysis, because more E-CHUs had been fielded to units, and the CTE, which completed testing in 2011. The Distribution Enablers Study recommended using the E-CHU paired with the CTE, because this combination provides three times more capacity to distribute cargo than flatracks alone. As a result, in June 2012, the Army ordered 180 CTEs.⁵
- Requirements for container handling equipment are continuing to be updated and may change due to DOD's plans to reduce the size of the Army. A Capability Production Document—expected to be issued in late summer 2013 to update the 1998 Operational Requirements Document—is to provide updated requirements to include current technologies for CROPs, E-CHUs, and CTEs and is expected to add the flatrack capability for Army Corps of Engineers bridge units. Army officials said that plans are also being completed for each piece of container handling equipment—based on the 2012 Distribution Enablers Study—that will identify the quantity and type of equipment to be sent to units. Additionally, Army officials said that the Army Capabilities Integration Center is conducting a tactical wheeled vehicle reduction study, due to be completed in late 2013 or early 2014, which could affect requirements for container handling equipment.

Based on experiences during the recent operations in Iraq and Afghanistan, the Army's priority is to increase the inventory of E-CHUs and CTEs to move containerized cargo in a sufficient and secure manner to the forward-most units on the battlefield. According to Army officials, the Army has the majority of the inventory it needs of CROPs and flatracks to move “break bulk” cargo, and there is no future funding programmed for CROPs or flatracks. However, the inventory of CROPs and flatracks is projected to increase, because some CROPs and flatracks have been procured but have not yet been provided to units. Table 1 below shows the inventories of container handling equipment as of June 2013 and the projected inventories through fiscal year 2018.⁶

⁵The Army initially ordered 182 CTEs in June 2012 but reduced the order to 180 through a modification issued in December 2012.

⁶Projected inventory includes (1) the current inventory as of June 2013, (2) E-CHUs, CTEs, CROPs, and flatracks that have been procured but have not yet been provided to units using fiscal year 2011 through fiscal year 2013 funds, and (3) E-CHUs and CTEs programmed for in the 2014 through 2018 Program Objective Memorandum. Projected inventory is subject to change based on Army budgetary decisions.

Table 1: Actual and Projected Inventory of Container Handling Equipment

Category	Inventory as of June 2013	Projected inventory through fiscal year 2018
Container handling unit	768	768
Enhanced container handling unit	1,241	6,035
Container transfer enhancement	0	6,324
Container roll-in/out platform	47,228	48,397
Flatrack	4,342	7,241

Source: Army G-8 data.

Agency Comments and Our Evaluation

We provided a copy of a draft of this report, including the briefing slides, to DOD for comment. DOD provided technical comments that we incorporated, as appropriate.

We are sending copies of this report to the appropriate congressional committees and to the Secretary of Defense and the Secretary of the Army. The report is also available at no charge on the GAO website at <http://www.gao.gov>.

Should you or your staff have questions concerning this report, please contact me at (202) 512-5257 or merritt@gao.gov. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are Marilyn Wasleski, Assistant Director; Nicholas Benne; Virginia Chanley; Joanne Landesman; Jodie Sandel; Michael Shaughnessy; and Amie Steele.



Zina D. Merritt
Director
Defense Capabilities and Management

Enclosures – 1

List of Committees

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Army Logistics: Container Handling Equipment Requirements, Contracts, and Inventory

**Briefing for Congressional Committees
July 11, 2013**

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Objectives

- House Report 112-493 mandated GAO to provide a report to the congressional defense committees on the acquisition plan, requirement, and inventory for container handling equipment in the Army, including Container Roll-in/out Platforms (CROPs), flatracks, Enhanced Container Handling Units (E-CHUs), Container Transfer Enhancements (CTEs), and similar equipment in use by the Army.¹
- We reviewed the following:
 1. How have the requirements for container handling equipment changed since 1998, and when were the corresponding contracts awarded or delivery orders issued?
 2. What are the current and projected inventories of container handling equipment?

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Scope and Methodology

- To review the Army's requirements, contracts, and inventory for container handling equipment.
 - We reviewed relevant documents, including the 1998 Operational Requirements Document for the Palletized Load System; Operational Needs Statements² and Equipment Sourcing Documents³ for flatracks; the 2010 Combined Arms Support Command (CASCOM) flatrack/CROP briefing; the 2012 Distribution Enablers Study; the draft Capability Production Document; and contracts and related documents for container handling equipment.
 - We interviewed officials from CASCOM, the office of the Assistant Secretary of the Army (Acquisition, Logistics & Technology), the Department of the Army, TACOM,⁴ and the Program Executive Office.
- We obtained data on container handling equipment inventory as of June 2013. We reviewed these data for obvious inconsistency errors and completeness. When we found discrepancies, we brought them to the attention of Army officials to ensure correction of the discrepancies. From these efforts, we determined that the data were sufficiently reliable for the purposes of this report.
- We provided a copy of this draft briefing to Army officials and incorporated their technical comments.

²Operational Needs Statements provide a way for unit commanders to identify urgent needs for new materiel or new capabilities.

³Equipment Sourcing Documents are requests for filling an equipment shortage that has already been validated or authorized by the Department of the Army.

⁴TACOM was formerly known as Tank-Automotive and Armaments Command.

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Background

- The Army's container handling equipment supports the transportation of cargo for the family of heavy tactical vehicles, particularly the Palletized Load System, the Heavy Expanded Mobility Tactical Truck, and the Palletized Load System trailer. This equipment includes:
 - Flatracks
 - Container Roll-in/out Platforms (CROPS)
 - Container Handling Units (CHUs)
 - Enhanced Container Handling Units (E-CHUs)
 - Container Transfer Enhancements (CTEs)
- Container handling equipment can move cargo in two ways:
 - "Break bulk," such that cargo sits on top of a flatrack or CROP
 - Containerized, such that cargo is inside of a 20-foot container and moved via a flatrack, CHU, E-CHU, or CTE

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Background (cont.)

Flatrack

- Description: A structural steel frame that does not have side walls or a top (see figs. 1 and 2).
- Function: Transports “break bulk” loads or 20-foot containers.
- Developed: 1990
- First contract: December 1992⁵
- Fielded: February 1994

Figure 1: Flatrack



Source: Army.

⁵According to Army officials, the first contract was awarded in December 1992.

Figure 2: Flatrack carrying “break bulk” load



Source: Army.

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Background (cont.)

Container Roll-in/out Platform (CROP)

- Description: A type of flatrack that is able to fit into a 20-foot container (see fig. 3).
- Function: Inserts and extracts loads directly from a 20-foot container and transports “break bulk” loads; cannot carry a 20-foot container.
- Developed: 1997
- First contract: July 1997
- Fielded: September 2000

Figure 3: Container Roll-in/out Platform



Source: Army.

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Background (cont.)

Container Handling Unit (CHU)

- Description: Attaches to the lifting arm of the Palletized Load System (see fig. 4).
- Function: Allows container upload and offload onto a truck and loads a 20-foot container from the truck onto a trailer without the use of a flatrack.
- Developed: 2001⁶
- First contract: July 1997

Figure 4: Container Handling Unit



Source: Army

⁶According to the Army, although the first contract was awarded in July 1997, increased development of the CHU began when they became part of the Family of Heavy Tactical Vehicle contract in March 2001.

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Background (cont.)

Enhanced Container Handling Unit (E-CHU)

The E-CHU enhances the capability of the CHU by improving the capability for stowage. The E-CHU can be carried in a stowed position when a flatrack or CROP is to be moved instead of a container. The E-CHU is lighter than the CHU and can be deployed more rapidly (see fig. 5).

- Developed: November 2007
- First contract: November 2007
- Fielded: July 2009

Figure 5: Enhanced Container Handling Unit



Source: Army.

Enhanced
Container
Handling Unit

GAO

Background (cont.)

Container Transfer Enhancement (CTE)

- Description: The CTE is a modification to the Palletized Load System trailer that allows the container to roll onto the trailer while being pushed by the CHU/E-CHU (see fig. 6).
- Function: Adds the capability to the base trailer of the Palletized Load System to transport 20-foot containers.
- Developed: May 2005 (CTE completed testing in March 2011)
- First contract: June 2012⁷
- Fielded: Tentative September 2013

Figure 6: Container Transfer Enhancement



Source: Army.

⁷In June 2012, the Army Contracting Command issued a delivery order for the CTE emanating from an existing contract for the acquisition of Heavy Tactical Vehicles, which includes the Palletized Load System trailer.

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Background (cont.)	
According to officials, container handling equipment functions are performed by the following Army offices:	
Table 2: Container Handling Equipment Offices and Functions	
Office	Container handling equipment function
Combined Arms Support Command (CASCOM)	Develops and maintains container handling equipment requirements documents.
Army G-3/5/7	Validates and approves the requirements documents.
Army G-8	Programs funding based on requirements documents and available funding and determines equipment distribution to active and reserve component units.
Assistant Secretary of the Army (Acquisition, Logistics & Technology)	Participates in acquisition decisions.
Program Executive Office for Combat Support and Combat Service Support	Prepares acquisition plans and scope of work documents, provides new equipment training, and performs overall program management for container handling equipment.
Army Contracting Command	Awards contracts for container handling equipment.
Army G-4	Oversees sustainment and maintenance of container handling equipment.
TACOM Life Cycle Management Command Integrated Logistics Support Center	Oversees inventory of container handling equipment.

Source: GAO analysis of Army data and interviews.
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Summary

- Requirements for container handling equipment have changed since 1998 from focusing on “break bulk” distribution to focusing on containerized distribution. This change occurred because of unanticipated warfighter needs during operations in Iraq and Afghanistan and the development of new container handling equipment technologies.
 - 1998: Requirements focused on moving cargo to troops from secure locations by “break bulk” transportation, using CROPs.
 - 2008 to 2010: Requirements changed to moving cargo in containers using flatracks to better conceal and protect cargo being moved forward on the battlefield. CROPs cannot carry a container.
 - 2012: Army completes a study recommending containerized distribution using E-CHUs, because more had been fielded to units, and CTEs, which completed testing in 2011. The E-CHUs and CTEs were recommended to supplement the existing capability for “break bulk” transportation using CROPs and flatracks.
- Contracts have been awarded and delivery orders issued from 2001 through 2012 to correspond to the changing requirements for container handling equipment.

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Enclosure 1



Summary (cont).

The Army plans to acquire additional inventory of E-CHUs and CTEs through fiscal year 2018 to address the new requirements for containerized distribution to the forward-most units on the battlefield, identified during the recent operations in Iraq and Afghanistan. The Army has the majority of the CROPs and flatracks it needs to meet its requirements for "break bulk" distribution.

Table 3: Actual and Projected Inventory for Container Handling Equipment

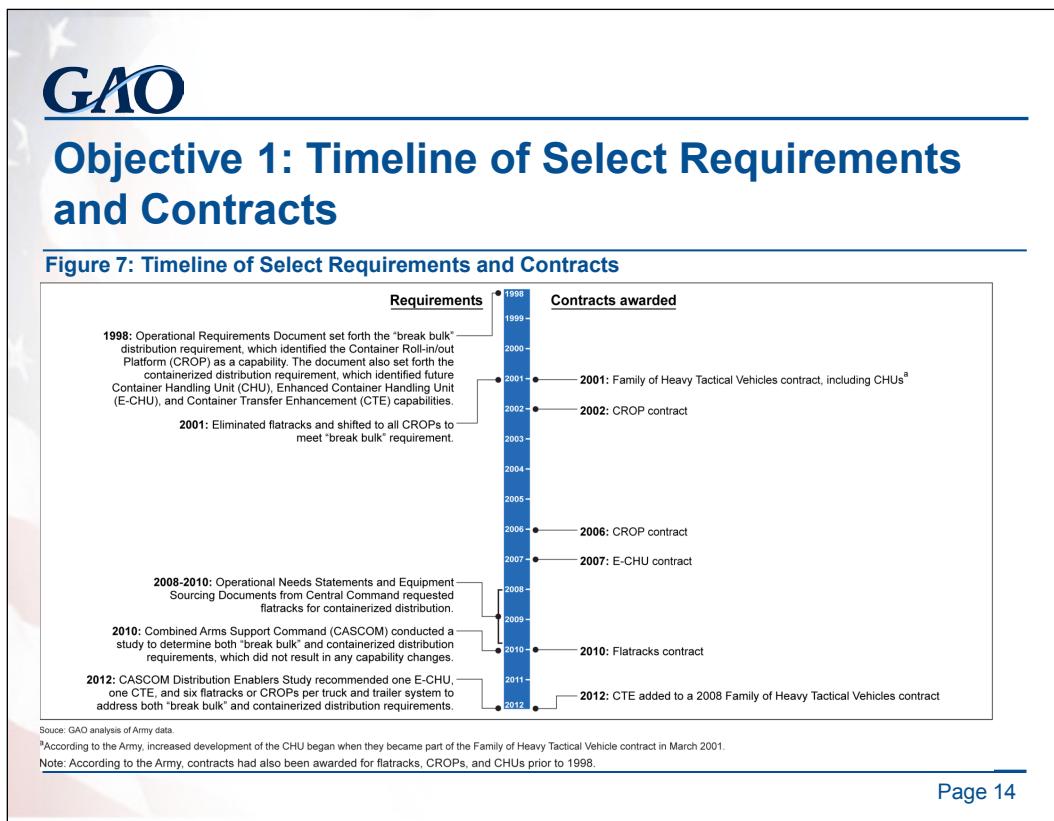
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Container transfer enhancement	0	6,324
Container roll-in/out platform	47,228	48,397
Flatrack	4,342	7,241

Source: Army G-8 data.

Notes: Projected inventory includes (1) the current inventory as of June 2013, (2) E-CHUs, CTEs, CROPs, and flatracks that have been procured but have not yet been provided to units using fiscal year 2011 through fiscal year 2013 funds, and (3) E-CHUs and CTEs programmed for in the 2014 through 2018 Program Objective Memorandum. Projected inventory is subject to change based on Army budgetary decisions.

CHUs have been replaced by E-CHUs and no additional inventory of CHUs is projected.

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Objective 1: 1998 Palletized Load System Operational Requirements Document

Prior to the wars in Iraq and Afghanistan, the 1998 Operational Requirements Document reflected the rationale that cargo could be transported to secure locations in containers and then to troops in “break bulk,” without using containers. In the document,

- Capabilities that would later be filled by CHUs/E-CHUs and CTEs were identified for the requirement to transport cargo in containers. However, E-CHUs and CTEs had not yet been developed.
 - March 2001: According to the Army, increased development of the CHUs began when they became part of the Family of Heavy Tactical Vehicle contract.
 - November 2007: The E-CHU replaced the CHU and the Army awarded a 5-year contract for the purchase of E-CHUs.
- CROPs were identified as a capability for the requirement to transport “break bulk” cargo without containers.
- Flatracks, the existing capability since 1994 to move both containerized and “break bulk” cargo, were no longer identified as a capability. The document states that the flatracks add unnecessary weight to the load being transported and require additional equipment to place the container on and off the flatrack.



Objective 1: 2001 CROP Pure Fleet Strategy

- According to Army officials, the 2001 CROP Pure Fleet Strategy prioritized “break bulk” transportation of cargo using CROPs, based on requirements outlined in the 1998 Operational Requirements Document.
- The strategy called for eliminating the use of flatracks, and all funding was transitioned to CROP procurement.
- When this strategy was implemented, CROP orders accelerated.
 - December 2002: The Army awarded a contract for up to 3,997 CROPs.
 - June 2006: The Army awarded a 5-year contract for CROPs, from which it ordered 32,917 CROPs.

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Objective 1: 2008 – 2010 Operational Needs Statements and Equipment Sourcing Documents

- 2008 to 2010: According to Army documentation, Central Command submitted seven Operational Needs Statements and seven Equipment Sourcing Documents identifying urgent needs requirements for flatracks to move containers.
- According to Army officials, warfighters in Iraq and Afghanistan identified an unanticipated need to move cargo in containers to forward operating units, to better conceal and protect items being moved along hazardous routes. After the 2001 strategy eliminated the need for flatracks, the Army's primary capability to move cargo to forward operating units was through CROPs, which cannot carry containers. Army officials stated that without flatracks, the ability to move containers to forward operating units was limited.
- The Army's 1998 Operational Requirements Document described a need—which would later be filled by CHUs/E-CHUs and CTEs—to move containers to staging areas, not to forward operating units.
 - As of 2010, Army officials said the inventory of CHUs/E-CHUs was insufficient to meet the urgent requirements, because the Army had not anticipated the need to move containers to forward operating units. Additionally, Army officials said warfighters had not yet been properly trained to use the CHUs/E-CHUs.
 - Moreover, as of 2010, the CTE had not yet been fielded, because it was in testing.
- August 2010: The Army awarded a contract for the 3,227 flatracks identified in the Operational Needs Statements and Equipment Sourcing Documents. As of June 2013, Army officials stated that 328 flatracks had been shipped to troops and 2,899 were awaiting release by the Army.

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Objective 1: August 2010 Flatrack/CROP Briefing

- April 2010 to August 2010: CASCOM conducted a study to determine the proper mix of flattracks and CROPs for the Army's distribution mission. This study was intended to inform Army decision making regarding the emerging requirement for both "break bulk" and containerized distribution.
- The study recommended switching to a mix of 50 percent flattracks and 50 percent CROPs, because it was the most cost-effective option and provided the ability to move both "break bulk" and containerized cargo.
- The study did not consider the E-CHU or the CTE, because the E-CHU had not been fully fielded to units and the CTE was in testing.
- According to Army officials, a market survey was publicly posted to identify potential suppliers of flattracks and indicate the Army's interest in purchasing them. However, no acquisition actions were taken as a result of this study because the Army decided to conduct the Distribution Enablers Study, which included the E-CHU and CTE in its analysis.

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Objective 1: 2012 Distribution Enablers Study

- October 2011 to February 2012: The Army Training and Doctrine Command Analysis Center conducted the CASCOM-sponsored Distribution Enablers Study to revisit the capabilities needed for both “break bulk” and containerized cargo distribution. This study included the E-CHU in its analysis, because more E-CHUs had been fielded to units, and the CTE, which completed testing in 2011.
- This study determined that using the E-CHU and CTE along with the existing flatrack and CROP inventories would provide the most effective cargo distribution capability. It recommended one E-CHU, one CTE, and six flatracks or CROPs per truck and trailer system.
 - The study found that the E-CHU, combined with the CTE, provides three times more capacity to distribute containerized dry cargo than the flatrack alone. This reduces the risk to soldiers, because it requires fewer trips through vulnerable transportation routes.
 - The study found that flatracks require additional equipment, such as cranes, to move containers onto and off of the flatrack.
- June 2012: The Army ordered 180 CTEs through the October 2008 Family of Heavy Tactical Vehicles III contract.⁸

⁸The Army initially ordered 182 CTEs in June 2012 but reduced the order to 180 through a modification issued in December 2012.



Objective 1: Additional Studies

- The 1998 Operational Requirements Document is being updated and converted into a Capability Production Document. This document is to update requirements to include current technologies for CROPs, E-CHUs, and CTEs and is expected to add the flatrack capability for Army Corps of Engineers bridge units. However, Army officials stated that there is sufficient inventory of flatracks, and no new inventory will be required. The Capability Production Document is expected to be approved in late summer 2013.
- Army officials said that plans are being completed for each piece of container handling equipment—based on the 2012 Distribution Enablers Study—that will identify the quantity and type of equipment to be sent to units.
- Army officials said that the Army Capabilities Integration Center is conducting a tactical wheeled vehicle reduction study due to DOD's plans to reduce the size of the Army. This could affect requirements for container handling equipment. The study is estimated to be completed in late 2013 or early 2014.



Objective 2: Current and Projected Inventories of Container Handling Equipment

- Based on experiences during the recent operations in Iraq and Afghanistan, the Army's priority is to purchase E-CHUs and CTEs to move containerized cargo in a sufficient and secure manner to the forward-most units on the battlefield. The Army has programmed funding for E-CHUs and CTEs for fiscal years 2014 through 2018.
- According to Army officials, the Army has the majority of the inventory it needs of CROPs and flatracks to move "break bulk" cargo.
 - There is no future funding programmed for CROPs or flatracks. However, the inventory of CROPs and flatracks is projected to increase. This increase is accounted for by CROPs and flatracks that have been procured but have not yet been provided to units.

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Objective 2: Current and Projected Inventories of Container Handling Equipment

Table 4: Actual and Projected Inventory for Container Handling Equipment

Category	Inventory as of June 2013	Projected inventory through fiscal year 2018
Container handling unit	768	768
Enhanced container handling unit	1,241	6,035
Container transfer enhancement	0	6,324
Container roll-in/out platform	47,228	48,397
Flatrack	4,342	7,241

Source: Army G-8 data.

Notes: Projected inventory includes (1) the current inventory as of June 2013, (2) E-CHUs, CTEs, CROPs, and flattracks that have been procured but have not yet been provided to units using fiscal year 2011 through fiscal year 2013 funds, and (3) E-CHUs and CTEs programmed for in the 2014 through 2018 Program Objective Memorandum. Projected inventory is subject to change based on Army budgetary decisions.

CHUs have been replaced by E-CHUs and no additional inventory of CHUs is projected.

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